ORIGINAL

Benyam and Paula R. Mulugeta
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Debtors in Possession

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CLERK
United States Bankruptcy Court
San Jose, California

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In Re: Benyam and Paula R. Mulugeta Debtors	Case No. 09-51900 ASW CHAPTER 11 **STATUS REPORT** Date: January 28, 2011 Time: 2 p.m. Place: U.S Bankruptcy Court Room 3020 280 S. First Street San Jose, Ca. 95113 Judge: The Hon. A Weissbrodt

Debtors, Benyam and Paula R. Mulugeta (jointly 'Debtors") submit this Status Conference Statement.

I. Introduction

Debtors have been in real estate business since 1981. During this period Debtors had bought and sold many commercial and residential properties. In addition, Debtor, Benyam Mulugeta has worked in real estate business as a real estate broker since 1985 helping clients to buy and sell real estate. As the result of 2008 real estate crisis and the economy and its effect, in their business combined with their two major holdings "Harrison" and "Grand" properties which were vacate for conversion in 2008 Debtors had faced major financial difficulties which forced Debtors to file Chapter 11, on March 18, 2009. The protection them had got as the result of filing the Chapter 11 helped them to stabilize and save their estate from collapsing and losing everything.

II. Current Status

1- Plan

Debtors had filed a Plan and a Disclosure Statement on January 14, 2011, while waiting for the sale of "Harrison" Debtors are planning to amend the Plan in order to give the necessary time required to the creditors to respond and vote on the Plan.

2-Hiring Attorney

Debtors have been continuously trying to hire a Chapter 11 attorney to assist them in their bankruptcy case. However, because of the following reasons they were not successful as of now: A) most of the attorneys they had contacted want over $25,000.00 up front, which Debtors do not have. Debtors current income from the rent to pay post-petitions payments, and covers expenses related to stabilizing the estate. B) Most of the attorneys do not want to involve as a "sub" in a case that already started. C) Most of the attorneys are busy due to the current economy environment to take a new case especially one that is already started. Those have been the reason why Debtors are forced to represent themselves. However, Debtors will continue to look for an attorney who handles Chapter 11 cases, and willing to take their case.

3-The sale of "Harrison"

According to the last communiqué, on January 24, 2011, that Debtors had with the Trading Spaces LLC, they buyer of "Harrison", the fund to purchase the property will be transfer to escrow in any day (Exhibit 1). The delay, according to the Trading Spaces LLC, caused mainly due to the new regulations by the Federal Government on the banks and security exchanges companies. However, at the same time, Debtors are also marketing actively "Harrison" to get other buyer(s). In December, 2010 Debtors had to evict the tenant, Tyme 4 Independent Living, which were rented "Harrison" for non-payment of rent. However, most of the sub-tenants of Tyme 4 Independent Living had stayed and are paying rent.

4-"Grand" Ave property.

"Grand" is a 3 story, 21 unit apartment building with 4 commercial units on the street level. Debtors closed the property for over 8 months in 2008 in order to convert it to condominium complex, and this was one of the properties which cased finical difficulties and forced Debtors to file Chapter 11.

Debtors are current in their post-petition payment of $10,505.20 per month, to the Sterling Savings Bank. In addition, the property is listed for sale with TRI Commercial. Debtors had received an offer for $2,450,000.00, which the buyer is still working on to get a loan for. Debtors cooperated per the Court order with Sterling Savings Bank to do an appraisal, which was done at the end of last year.

5-"O'Keefe" St. property

"O'Keefe" is a 21 unit apartment building located in East Palo Alto.

Debtors are current in the post-petition payment of $9,817.70 per month to Sterling Savings Bank. In addition, the property is listed for sale with Coldwell Banker Commercial. Debtors had an offer for $2,350,000.00, however, after buyers find out that Debtors financial difficulty and bankruptcy they came back with outrageous counter, which Debtors are trying to resolve. Debtors did cooperate with Sterling Savings Bank to do an appraisal per the Court order at the end of last year.

6-"Harker" Ave. property

Debtors' residence, Debtors in their effort to cut down in their expenses, decided to move to the in-law unit and rent the main residence. Last year Debtors signed a contract with tenants

to rent the main residence for $6,500.00 per month. However, at the last minute the tenants wanted a long term leases which Debtors unable to commit to due to their bankruptcy status.

Debtors are making $4,000.00 post-petition payments to Chase per the Court order. In addition, Debtors are making $1,600.00 payment to Sequoia Mortgage Capital. Debtors requested Sequoia Mortgage Capital Inc. for modification, which they are waiting for an answer. When "Harrison" sales Debtors are planning to pay off the arrearage on "Harker" to the lenders and keep their residence, that is their main objective and why they field Chapter 11.

7-"Sevier" Ave. property

A single family residence in Menlo Park currently rented for $2,500 per month after several months of vacancies for renovation and remodel. Debtors are paying $1,800.00 post-petition to EMC Mortgage Cooperation per the Court order.

8-"Chaucer" St. property

A duplex located in Berkeley. As the result of the Court order, Debtors had paid $5,400 on March 31, 2010 and current on post-petition payments of $1,800.00 per month to EMC Mortgage Corporation.

III- Recommendation

Since filing Chapter 11, Debtors took several actions in order to stabilize their properties and averted the estate from collapsing, and are moving forward to a resolution of the case. At the same time, Debtors are doing everything possible to protect the interest of the creditors. However, because of the current economy condition and the crisis in real estate market, which is the mainline of Debtors business and holdings, things are moving very slowly.

Debtors believe there is still a need for automatic stay and protection from the Court, without it the estate will collapse, Debtors will not have the second chance they need to remain as viable entity and most of the creditors will be left with nothing at the benefit of a few senior lien holders. The following reasons are why Debtors believe that the automatic stay should remain in effect;

A) Currently most of the creditors are **"adequately protected"** and Debtors are paying post-petition payments, and maintain the properties and current with insurance payments and other expenses in relation to the maintenance of the properties and their value.

B) Debtors will continue **to market and list the major properties** ("Harker", "Grand" and "O'Keefe", which have sufficient equity) for sale in order to pay off the creditors and get out of bankruptcy

C) When one compares to the alternative which is **Chapter 7 liquidation**, or forced-sale, which outcomes will be a disaster not only to Debtors and their estate, but to the majority of the creditors, where very few senior creditors will be the beneficiary. Therefore, the steps and the path, which is orderly liquidation or sale of Debtors assets, and a Plan which Debtors have been taking, are the best solution, even though things are moving slow due to the current economy conditions and real estate market crisis is where most of the creditors and the estate will come out with good result and get their money.

D) Most of the Debtors properties have sufficient **equity**, which is essential for successful reorganization, and for Debtors to be able to pay off most of the creditors.

Therefore, Debtors respectfully request the Court to continue the Status Conference for 60-90 days at which time Debtors believe A) there should be a resolution of "Harrison" property sale, and/or B) the "Plan" Debtors submitted will be voted on and confirmed by the Court, because of its feasibility of success, and its benefit to the estate as well as to most of Debtors' creditors.

Dated: January 25, 2011

Benyam Mulugeta
Debtor

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EXHIBIT 1

ARGENT

ASSET MANAGEMENT

Attention Gary Gornick:

Date: 1-13-11

The purpose of this communication is to provide you with a current update concerning the Trading Spaces Funding. We have established domestic accounts for the indenture accounts and anticipate distribution of those accounts to your operating account on or before 1-19-11. You will be receiving a call in the next 2 days confirming banking information and drawdown schedule. Thank you for your patience.

Sincerely,

ARGENT ASSET MANAGEMENT (AAM)
ARGENT SECURITIES, INC

By: Ronald G Morgan CEO

Gmail by Google

Benyam Mulugeta Sr. <bmulugeta1020@gmail.com>

Ron phone call

EXHIBIT 1A -

2 messages

Alice Gornick <gornick@sbcglobal.net> **Fri, Jan 21, 2011 at 7:59 AM**
To: MARK PATTON <markpatton@prodigy.net>, Benyam Mulugeta <bmulugeta1020@gmail.com>

Hi Mark

Last night Ron called, after I had gone to bed. Here is what he said, He said they will start wiring the funds today and on Monday will finish up. This is for Trading Spaces LLC and some other projects that I am not involved in. He did not know if my project will be funded today or on Monday, He does not have control of that part, but will be funded by no later than Monday. The problem with the funding instructions has been completed and it stays the same as I told you, it will be in three payments.

Praise to GOD and to HIM give the glory.

Gary G G

MARK PATTON <markpatton@prodigy.net> **Fri, Jan 21, 2011 at 10:50 AM**
To: bmulugeta1020@gmail.com

F Y I
EMAIL FROM GARY

From: Alice Gornick [mailto:gornick@sbcglobal.net]
Sent: Friday, January 21, 2011 8:00 AM
To: MARK PATTON; Benyam Mulugeta
Subject: Ron phone call

[Quoted text hidden]

Tsegereda R. Mulugeta
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Tel. 650-575-7578

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In Re: Benyam and Paula R. Mulugeta Debtors	)	Case No. 09-51900 ASW CHAPTER 11

CERTIFICATE OF SERVICE

I am a citizen of the United States and residence of Santa Clara County. I am over the age of eighteen years and not a party to the above entitled action, my address is 1025 Harker Ave. Palo Alto, Ca. 94301

On January 25, 2011, I mailed a true and correct copy of the following documents:

Debtors Status Report

In the manner indicated below;

X By mail, by enclosing said document(s) in an envelope and depositing the sealed envelope with the United States service with the postage fully prepaid addressed as follows:

See Attached Mailing List

This certificate was executed on January 25, 2011 at Palo Alto, California. I declare under penalty of perjury that the foregoing is true and correct.

Date; January 25, 2011

Tsegereda Mulugeta

COURT SERVICE LIST
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